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USAID, DOS reviews completed

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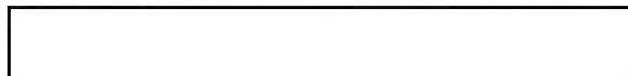
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GENERAL

1. French reluctant to jeopardize European defense by Indochina effort:

The US Ambassador in Paris reports that French failure to find the means for an "appropriate" contribution to Western defense is jeopardizing the "entire European build-up" and is leading increasing numbers of deputies to consider abandonment of the Indochina undertaking. Finance Minister Mayer has told the US Ambassador that he intends to submit a program entailing cuts in

French reconstruction and investment, NATO contributions and Indochina operations. Premier Pleven has informed the Ambassador that an Assembly debate "on the whole political and economic position of France" is imminent and that the government will ask for a vote of confidence on its policies next week.

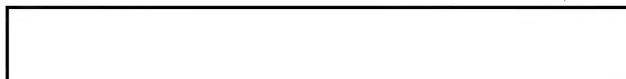
Most French officials recognize that France's commitments in Indochina preclude a satisfactory solution to the problems involved in establishing the European Defense Community. They believe, therefore, that France should draw up European Defense Forces arrangements on the assumption that the Indochina burden will somehow be reduced before the EDF treaty is ratified.

Comment: Budgetary limitations have already resulted in a decrease in French contributions to the European Defense Forces. This in turn has brought about an EDF Conference decision that the number of military units to be contributed by Germany be reduced from eighteen to twelve.

While earlier reports revealed that France was facing a drastic cut in either its European or Indochinese military commitments, these are the first indications that the French are almost ready to apply drastic economies in Indochina, even to the point of threatening a withdrawal of French forces from the area.

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USSR

2. Comment on conclusion of Soviet-Satellite army maneuvers in Eastern Europe:

The cycle of field training for Soviet and Satellite ground forces in Eastern Europe appears to have been completed for 1951, and troops are returning to winter garrisons. The Soviet Orbit potential for a surprise attack in Europe, which is at its height during the annual fall maneuvers, may be expected to return to normal.

Indications are that the general level of training achieved in the Satellite armies is not significantly higher than last year. The lack of significant advances in training indicates that the capabilities of the Satellite armies remain relatively limited.

The maneuvers also showed that the Satellite armies have not developed uniformly -- reflecting either the special roles contemplated for the different countries in Soviet military plans or possibly varying degrees of responsiveness to Soviet pressures. Although Satellite ground forces have been increased considerably in recent years, the quality of the troops, largely conscripted, remains low.

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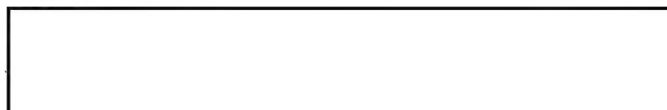
WESTERN EUROPE

8. Resurgent Nazi activity arouses concern:

American officials in West Germany, commenting on two recent meetings of former SS members, feel that their speeches partially reflect the attitude current among extreme nationalist elements, including some of the generals active in the new veterans' organizations. There is a tendency in these circles to regard the Western desire for German

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rearmament and a European defense force as belated American recognition of the Soviet danger and as proof of the justness of Hitler's crusade against the USSR.

At one of the meetings, attended by 1300 former SS members in Hamburg, a former Gauleiter addressed the group and an ex-SS general announced that an international convention of SS men would be held early in 1952. In Berlin, a former SS leader called for establishment of "relations with our comrades in the East Zone's People's Police."

Comment: These are the first reported meetings of SS members as such, although in the past they have participated in meetings of militaristic and political organizations. This new activity has aroused much adverse comment in the West German press. The government, already engaged in a program to fight political extremes, is seeking to ban the Socialist Reich Party, the leading neo-Nazi organization.

9. Italian Budget Minister now favors greater defense expenditure:

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[REDACTED] A US official in Rome states that Budget Minister Pella has indicated a changed attitude toward greater Italian expenditures for defense. He reports that if Pella can be encouraged in this new attitude, the American task of getting an adequate Italian defense program will be greatly facilitated.

Pella has indicated that for political reasons Parliament will be presented with a civilian investment program of approximately the same size as the expanded defense program. However, the increase in cash expenditures under the civilian investment program will be spread over several years, while increases in cash expenditures for the defense program will be telescoped.

Comment: Pella has obstructed an adequate defense effort. His change of attitude on defense spending may in part be occasioned by the large Italian surpluses in EPU, the reduced level of activity in the metal-mechanical sectors of Italian industry, and the strong pressure within Italy from industrialists for an adequate defense effort.

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